

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** June 23, 2010  
**POSITION:** Neutral, note concerns  
**SPONSOR:** California Energy Technology Fund, California  
Public Utilities Commission

**BILL NUMBER:** SB 1040  
**AUTHOR:** A. Padilla

### **BILL SUMMARY:** Telecommunications Universal Service Programs

Existing law establishes the California Advanced Services Fund (CASF), administered by the Public Utilities Commission (PUC), to fund deployment of broadband infrastructure and expand statewide high-speed Internet access. The CASF is funded by a PUC imposed surcharge collected through retail telecommunications customers' bills. Existing law prohibits the PUC from collecting more than \$100 million via the surcharge, authorizes \$100 million for the CASF, and sunsets the program on January 1, 2013.

This urgency bill would authorize an additional \$125 million in surcharges to fund the CASF at a rate of no more than \$25 million annually, over a five-year period, beginning with the 2011 calendar year. The PUC would be authorized to collect a higher amount in any fiscal year as long as the increased amount will not result in an increase in the total amount of the surcharge collected. The bill also would designate specified amounts to separate accounts within the CASF to promote statewide broadband deployment. The bill would require the PUC to conduct an interim and final financial audit on the implementation and effectiveness of CASF and to report its interim findings by December 31, 2010, and its final findings by April 1, 2017.

The bill would remove existing sunset provisions for this program.

### **FISCAL SUMMARY**

The PUC estimates that the bill would require \$637,000 CASF and six positions (the extension of two limited-term positions receive in the 2009 Budget Act, and four new positions, one of which would be 1-year limited term) in 2010-11 and \$527,000 CASF and five positions each year from 2011-12 through 2015-16 to extend oversight of the current CASF Program through 2017, and conduct rulemaking and provide oversight of the three newly proposed CASF subaccounts and associated programs.

Finance notes the PUC was authorized two positions and \$200,000 CASF on a limited-term basis to implement the program. We note that any future request for additional resources would be evaluated during the annual budget development process, based on workload justification information submitted by the PUC.

The bill would establish three new accounts within the CASF, the Broadband Infrastructure Grant Account, Rural and Urban Regional Broadband Consortia Grant Account, and the Broadband Infrastructure Revolving Loan Account. The bill would provide that the funds would be subject to appropriation, over a five-year period, beginning with the 2010-11 fiscal year, to be funded via surcharges to telecommunications consumers.

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Analyst/Principal (0621) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)****Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

A. Padilla

June 23, 2010

SB 1040

**COMMENTS**

The Department of Finance is neutral on this bill but notes concern regarding the ongoing costs and additional state staff and resources that may be necessary to continue addressing the program expansion and continuation that would be required by the bill. Finance notes additional concerns, as follows:

- The bill would provide that an additional \$125 million can be collected for deposit into the CASF. This funding would require the renewal of a surcharge imposed by the PUC on retail telecommunications customers during a time of high unemployment within the state. The surcharge is anticipated to be .25 percent of each telecommunication customer's bill. This rate would be consistent with how the surcharge was applied previously.
- The bill would increase administrative costs to the PUC estimated at \$637,000 CASF in 2010-11 and \$527,000 CASF each year from 2011-12 through 2015-16.
- The program began in 2007 and was codified in 2009 by Chapter 393, Statutes of 2008 (SB 1193; Padilla). Financial and performance audits of the program are required under the existing statutes by December 31, 2010. Finance believes it would be more appropriate to await a full evaluation and accounting of the program prior to its expansion.

The bill would require the PUC to submit an annual report beginning January 1, 2012 through January 1, 2017. The report would include the following:

- The amount of funds expended from the CASF in the prior year.
- The recipients of funds expended from the CASF in the prior year.
- The geographic regions affected by funds expended from the CASF in the prior year.
- Actual broadband adoption levels from the funds expended from the CASF in the prior year.
- The amount of funds expended from the CASF used to match federal funds.
- An update on the expenditures from CASF and broadband adoption levels, and an accounting of remaining unserved and underserved areas of the state.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
8660/PUC	SO	No		--	A	\$25,000	A	\$25,000	3141
1256/Othr Reg Fee	RV	No		--	U	\$25,000	U	\$25,000	3141

Fund CodeTitle

3141

Advanced Services Fund, California